

ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA



AGREED-UPON PROCEDURES REPORT
ISSUED DECEMBER 20, 2006

**LEGISLATIVE AUDITOR
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November 28, 2006

Independent Accountant's Report on the
Application of Agreed-Upon Procedures

DR. DANIEL D. RENEAU, PRESIDENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA
Ruston, Louisiana

We have performed the procedures enumerated below, which were agreed to by you, as president of Louisiana Tech University (university), solely to assist you in evaluating whether the accompanying Statement of Revenues and Expenses (Statement) of the Louisiana Tech University Athletic Department is in compliance with the National Collegiate Athletic Association (NCAA) Bylaw 6.2.3 for the year ended June 30, 2006. University management is responsible for the Statement (unaudited) and related notes (unaudited) and compliance with NCAA requirements. This agreed-upon procedures engagement was conducted in accordance with attestation standards established by the American Institute of Certified Public Accountants. The sufficiency of these procedures is solely the responsibility of management of Louisiana Tech University. Consequently, we make no representation regarding the sufficiency of the procedures described below either for the purpose for which this report has been requested or for any other purpose.

The procedures that we performed and our findings are as follows:

STATEMENT OF REVENUES AND EXPENSES

GENERAL PROCEDURES

1. We obtained written representations from management as to the fair presentation of the Statement, completeness of required schedules and related financial information, adequacy of controls, compliance with NCAA rules and regulations, and other information we considered necessary for the year ended June 30, 2006. We also verified the mathematical accuracy of the amounts on the Statement and agreed the amounts to supporting schedules provided by the university and the university's general ledger.

We found no exceptions as a result of these procedures.

2. We obtained an understanding and tested the specific elements of the control environment and accounting systems that are unique to the university's intercollegiate athletics program.

We detected no significant deficiencies in the control environment and accounting systems as a result of these procedures.

3. We compared each operating revenue and expense category for June 30, 2005, and June 30, 2006, to identify variances of 20 percent or greater between individual revenue and expense categories (line items) that are 5 percent or more of the total.

As a result of our procedure, we identified each variance of 20 percent or greater that is 5 percent or more of the total in the following revenue and expense accounts:

Revenues

Away - games' sales and guarantees
Indirect facilities and
administrative support

Expenses

Team travel
Indirect facilities and
administrative support

4. We compared the budgeted revenues and expenses to actual revenues and expenses for each operating revenue and expense category for the year June 30, 2006, to identify any variances of 20 percent or greater in individual revenue and expense categories (line items) that are 5 percent or more of the total.

As a result of our procedure, NCAA/Conference distributions was the only account with a variance of 20 percent or greater that is 5 percent or more of the total.

**MINIMUM AGREED-UPON PROCEDURES
FOR REVENUES**

1. Using a schedule prepared by the university, we compared the value of tickets sold for the reporting period per the schedule to the related revenue reported in the Statement. We agreed the information on the schedule to the supporting game reconciliation for the football and basketball games with the largest ticket sales. We recalculated the reconciliations for the games tested.

We found no exceptions as a result of these procedures.

2. We selected the away game with the largest game guarantee settlement and agreed the amount to the general ledger and to the contractual agreement. We recalculated the totals on the contractual agreement.

We found no exceptions as a result of these procedures.

3. We compared the indirect institutional support recorded by the university during the period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

4. We compared the direct institutional support recorded by the university during the period with state appropriations, institutional authorizations, and/or other corroborative supporting documentation. We recalculated the totals.

We found no exceptions as a result of these procedures.

5. We obtained and inspected agreements related to the university's participation in revenues from NCAA/Conference tournaments during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

6. We obtained and inspected agreements related to the university's participation in revenues from royalties, advertisements, and sponsorships during the period to gain an understanding of relevant terms and conditions. We compared and agreed related revenues to the general ledger and the Statement. We recalculated the totals.

We found no exceptions as a result of these procedures.

7. We selected one operating revenue receipt from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

MINIMUM AGREED-UPON PROCEDURES FOR EXPENSES

1. We selected a sample of four students from the listing of university student aid recipients and obtained individual student-account detail for each selection and compared total aid allocated from the related aid award letter to the student's account. We recalculated the totals.

We found no exceptions as a result of these procedures.

2. We obtained and inspected the largest contractual agreement pertaining to expenses recorded by the university from a guaranteed contest during the period and agreed the related expenses to the university's general ledger and Statement. We recalculated the totals.

We found no exceptions as a result of this procedure.

3. We obtained from management a list of coaches and support staff/administrative personnel paid by the university, examined the contracts for the head coaches from football, men's and women's basketball, and two support staff/administrative personnel. The following procedures were performed:
 - a. Compared and agreed the financial terms and conditions of each head coach selected to the related coaching salaries, benefits, and bonuses recorded by the university and related entities in the Statement.
 - b. Obtained and inspected W-2s, 1099s, et cetera, for each selection.
 - c. Compared and agreed related W-2s, 1099s, et cetera, for each selection to the related salaries, benefits, and bonuses paid by the university and related entities' expense recorded by the university in the Statement during the reporting period.

We found no exceptions as a result of these procedures.

4. We were to use a list prepared by the university to select an athletic employee who received the highest severance payment and agree the severance pay to the related termination letter or employment contract. We were also to recalculate the totals.

We found no athletic employees received severance payments as defined by NCAA guidelines.

5. We obtained and documented an understanding of the university's recruiting expense policies. We compared and agreed these policies to existing university and NCAA related policies.

We found no significant differences as a result of this procedure.

6. We obtained an understanding of the university's team travel policies. We compared and agreed these policies to existing university and NCAA related policies.

We found no significant differences as a result of this procedure

7. We obtained and documented an understanding of the institution's methodology for allocating indirect facilities support. We summed the indirect facilities support and indirect institutional support totals reported by the university in the Statement.

We found no exceptions as a result of these procedures.

8. We compared and agreed indirect facilities and administrative support reported by the university in the Statement to the corresponding revenue category (indirect facilities and administrative support) reported by the university in the Statement. We also recalculated the totals.

We found no exceptions as a result of these procedures.

9. We selected one operating expense from each category not previously mentioned above and agreed to adequate supporting documentation.

We found no exceptions as a result of this procedure.

**MINIMUM AGREED-UPON PROCEDURES
FOR NOTES AND DISCLOSURES**

1. We obtained from university management a list of contributions received by the athletic department to identify any individual contributions that constitute more than 10 percent of total contributions.

The Louisiana Tech University Foundation, Inc., an outside organization, contributed monies, goods, and services for or on behalf of the athletic department that exceeded 10 percent of the total contributions.

2. We obtained a schedule of total intercollegiate athletics capitalized assets, additions, and improvements of facilities by type along with a description of the university's policies and procedures for acquiring, approving, depreciating, and disposing of intercollegiate athletics-related assets.

We were provided the capital asset information by management (note 2).

3. We agreed the capital asset schedule to the university's general ledger and selected any capitalized addition that was greater than 10 percent of total capital additions and agreed recorded cost to adequate supporting documentation.

The capital assets schedule was agreed to the university's general ledger; however, no capitalized additions or improvements were identified by management.

**MINIMUM AGREED-UPON PROCEDURES
FOR AFFILIATED AND OUTSIDE ORGANIZATIONS**

1. We obtained written representations from management of the university that the Louisiana Tech University Foundation, Inc., was the only outside organization created for or in behalf of the athletic department.
2. We obtained from management a summary of revenues and expenses for, or on behalf of, intercollegiate athletics programs by affiliated and outside organizations

and written representations as to the fair presentation of the summary and agreed the amounts reported to the university's general ledger.

We found no exceptions as a result of these procedures.

3. We obtained and tested the university's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for, or on behalf of, the university's intercollegiate athletics program.

We found no significant deficiencies in the design of the university's procedures for gathering information on the nature and extent of affiliated and outside organizational activity for, or on behalf of, the university's intercollegiate athletics program.

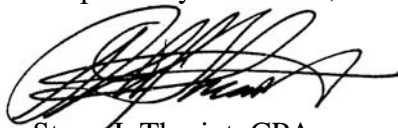
4. We obtained the independent auditor's report for all outside organizations to identify any reportable conditions relating to their internal control and made inquiries of management to document any corrective action taken in response to the reportable conditions.

The financial statements of the Louisiana Tech University Foundation, Inc., and the Louisiana Tech Alumni Association, Inc., were audited by an independent certified public accounting firm for the years ended June 30, 2006 and 2005 and June 30, 2005 and 2004, respectively. The audit reports are dated August 3, 2006, and December 5, 2005, respectively, and included no reportable conditions relating to the outside organization's internal control.

We were not engaged to and did not conduct an examination, the objective of which would be the expression of an opinion on the compliance of the accompanying statement of revenues and expenses and related notes of Louisiana Tech University. Accordingly, we do not express such an opinion. Had we performed additional procedures, other matters might have come to our attention that would have been reported to you.

This report is intended solely for the information and use of the president of Louisiana Tech University and is not intended to be, and should not be, used by anyone other than the president. By provisions of state law, this report is a public document, and it has been distributed to appropriate public officials.

Respectfully submitted,



Steve J. Theriot, CPA
Legislative Auditor

VB:WJR:THC:ss

[LTUNCAA06]

UNAUDITED

Statement A

**ATHLETIC DEPARTMENT
LOUISIANA TECH UNIVERSITY
UNIVERSITY OF LOUISIANA SYSTEM
STATE OF LOUISIANA**

**Statement of Revenues and Expenses
For the Year Ended June 30, 2006**

	FOOTBALL	MEN'S BASKETBALL	WOMEN'S BASKETBALL	OTHER SPORTS	NON- PROGRAM SPECIFIC	TOTAL
REVENUES						
Operating revenues:						
Ticket sales	\$599,618	\$93,539	\$161,953	\$38,162	\$4,184	\$897,456
Away - games' sales and guarantees	1,100,000	230,000		2,500		1,332,500
Contributions	284,580	40,241	131,794	102,072	999,686	1,558,373
Direct institutional support	180,899	46,470	78,448	667,247	3,346,760	4,319,824
Indirect facilities and administrative support					1,980,373	1,980,373
NCAA/Conference distributions including						
all tournament revenues		17,233	46,820	8,967	1,050,852	1,123,872
Program sales, concessions, novelty sales, and parking	22,637	7,626	7,517	3,935	191,990	233,705
Royalties, advertisements, and sponsorships				16,600	260,587	277,187
Total operating revenues	<u>2,187,734</u>	<u>435,109</u>	<u>426,532</u>	<u>839,483</u>	<u>7,834,432</u>	<u>11,723,290</u>
EXPENSES						
Operating expenses:						
Athletics student aid	942,652	184,121	154,520	1,244,903	208,016	2,734,212
Guarantees	100,000	9,000	9,000			118,000
Coaching salaries, benefits, and bonuses paid by the university or related entities	920,722	344,805	381,509	446,601		2,093,637
Support staff/administrative salaries, benefits, and bonuses paid by the university and related entities	100,033	19,327	85,141	3,695	774,232	982,428
Recruiting	75,375	24,503	40,748	39,085	2,308	182,019
Team travel	636,191	174,505	184,987	602,366	13,490	1,611,539
Equipment, uniforms, and supplies	286,258	48,952	137,941	180,262	578,745	1,232,158
Game expenses	93,918	57,096	40,960	44,821	10,464	247,259
Fund raising, marketing, and promotion	16,318	5,167	10,715	7,561	54,580	94,341
Direct facilities, maintenance, and rental	31,151	6,840	5,467	6,787	202,007	252,252
Indirect facilities and administrative support					1,980,373	1,980,373
Medical expenses and medical insurance	2,489		120	564	71,383	74,556
Memberships and dues					400,000	400,000
Other operating expenses	3,978	5,553	10,946	6,450	25,987	52,914
Total operating expenses	<u>3,209,085</u>	<u>879,869</u>	<u>1,062,054</u>	<u>2,583,095</u>	<u>4,321,585</u>	<u>12,055,688</u>
EXCESS (Deficiency) OF REVENUES OVER (UNDER) EXPENSES	<u>(\$1,021,351)</u>	<u>(\$444,760)</u>	<u>(\$635,522)</u>	<u>(\$1,743,612)</u>	<u>\$3,512,847</u>	<u>(\$332,398)</u>

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NOTES TO THE FINANCIAL STATEMENT (UNAUDITED)

1. CONTRIBUTIONS

No individuals or outside organizations, other than the Louisiana Tech University Foundation, Inc., contributed monies, goods, or services for or on behalf of the athletic department that exceeded 10 percent of the total contributions included in Statement A.

2. CAPITAL ASSETS

Capital assets are reported at cost at the date of acquisition or their estimated fair value at the date of donation. For movable property, the university's capitalization policy includes all items with a unit cost of \$5,000 or more and an estimated useful life greater than one year. Renovations to buildings, infrastructure, and land improvements that significantly increase the value or extend the useful life of the structure are capitalized if they exceed \$100,000. Any infrastructure exceeding \$3 million must be capitalized, but the university does not have any infrastructure that meets that criterion. Routine repairs and maintenance are charged to operating expense in the year in which the expense was incurred. Depreciation is computed using the straight-line method over the estimated useful life of the assets, generally 40 years for buildings and infrastructure, 20 years for depreciable land improvements, and 3 to 10 years for most movable property. All departments within the university follow standardized policies and procedures established by state laws and regulations for acquiring, approving, depreciating, and disposing of capital assets. The university has no debt associated with its athletic department's capital assets.

Capital asset activity for the Athletic Department for the year ended June 30, 2006, is as follows:

	Balance June 30, 2005	Additions	Retirements	Balance June 30, 2006
Capital Assets				
Land improvements	\$395,085			\$395,085
Less - accumulated depreciation	(395,085)			(395,085)
Total land improvements	NONE	NONE	NONE	NONE
Buildings	24,795,680			24,795,680
Less - accumulated depreciation	(13,954,539)	(\$619,893)		(14,574,432)
Total buildings	10,841,141	(619,893)	NONE	10,221,248
Equipment	443,123		\$21,095	422,028
Less - accumulated depreciation	(339,619)	(16,212)	(21,095)	(334,736)
Total equipment	103,504	(16,212)	NONE	87,292
Total capital assets	\$10,944,645	(\$636,105)	NONE	\$10,308,540
Capital Asset Summary				
Capital assets, at cost	\$25,633,888			\$25,633,888
Less - accumulated depreciation	(14,689,243)	(\$636,105)		(15,325,348)
Capital assets, net	\$10,944,645	(\$636,105)	NONE	\$10,308,540

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